

Fiscal Note

Fiscal Services Division



HF 2453 – Electricity Production Items, Sales Tax Exemption (LSB6056HV)
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Fiscal Note Version – New

Description

House File 2453 exempts the sales and use tax on the purchase or rental of computers, machinery, equipment, and replacement parts (collectively, replacement parts) at the Duane Arnold Energy Center.

Assumptions

- Duane Arnold Energy Center reported an average cost of production in 2012 of 2.72 cents per kilowatt-hour.
- The Center has a generating capacity of 615 megawatts.
- The Nuclear Energy Institute reports operations and maintenance of nuclear facilities represents 68.0% of production costs on average.
- The Center undergoes routine refueling outages every other year to replace spent fuel rods and conduct other routine maintenance at the plant. This generally happens in even-numbered years. During these years, it is assumed replacement parts average 7.0% of operating costs and 5.0% of operating costs in non-outage years. For this estimate, replacement parts as a percent of operating costs are assumed at 6.0%.
- Growth in the costs of operating nuclear facilities is assumed at 4.1%.

Fiscal Impact

The fiscal impact of **House File 2453** is presented in the following table.

Estimated Impact of HF 2453			
	General Fund	SAVE	LOST
FY 2017	\$ -357,000	\$ -71,000	\$ -71,000
FY 2018	-371,000	-74,000	-74,000
FY 2019	-386,000	-77,000	-77,000
FY 2020	-402,000	-80,000	-80,000
FY 2021	-418,000	-84,000	-84,000

The LOST (local option sales tax) impact could reasonably be considered maximum estimate to the extent that replacement parts and equipment purchased for nuclear energy production in Iowa may be purchased out of state. However, if purchases are made out of state the use tax will still apply, and therefore the General Fund and SAVE (Secure an Advanced Vision for Education) impact will be the full amount displayed in the table.

To the extent that the Duane Arnold Nuclear Power Plant is located in a flood mitigation district, or purchases replacement parts from a supplier located in a flood mitigation district, the sales tax remitted will be included in that area's initial increment calculation. By exempting the sale of replacement parts for nuclear electricity generation from the sales and use tax, a mitigation district may be impacted by decreasing the taxable increment of sales and services. However, all indications are this is unlikely to occur.

Sources

Iowa Department of Revenue
Duane Arnold Nuclear Power Plant/NEXtera Energy Resources
Nuclear Energy Institute
LSA analysis and calculations

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the LSA upon request.
